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Book Excerpt

How to Manage an Application Portfolio Plan

And make sure your IT priorities are in synch with your business strategies.

BY RALPH MENZANO

In 1984, the American Productivity Institute conducted a study to see if Americans are different than Germans or Japanese in their approach to work. The experiment consisted of handing a model airplane kit to a child of each of those cultures. The German and Japanese children tried to "do it right the first time" by opening the box properly, reading the instructions and proceeding to completion of the model sequentially from first step to last. The American children created a different impression. They had a tendency to rip open the box, barely glancing at the instructions, and building their "best guess" of what the model should look like, often performing steps out of sequence. Noteworthy was that the American children's speed to completion was significantly faster than that of the other two cultures.

A conclusion from this experiment is that Americans do not have a "do it right the first time" attitude towards work. Rather, a continuous improvement attitude is more likely to succeed when Americans are involved.

Application portfolios are merely inventories of systems needed by an organization in support of business initiatives. The systems that are of continuous improvement nature (usually the ones that provide operational requirements) are readily discernable and prioritized. The systems that create new markets or drastically change the nature of some aspect of the business are not as easily focused. The key question to pose is: Does the IT list of priorities match the company's list?

Often this exercise yields a mismatch of IT priorities (e.g., updating hardware, new versions of software, etc.) that have no link to any business strategy. The IT people doing the work have no idea how the company benefits from the tasks and the company has no idea why the IT resources cannot be diverted to more essential activities. In extreme cases of mismatched priorities, management will react with reorganization--centralization or decentralization--in order to get their arms around the process.

Ask yourself: What is the inventory of my company's system requests, sorted by strategy in each business group? Are there any requests that spread horizontally through all

groups? If you answer these questions, you will find that the system requests that span all business groups are the ones that have more significant impact, take the longest to implement, have the highest risk, and have most value to gain. Some typical industry examples follow:

Banking:

- Loan Origination
- Underwriting
- Servicing
- Pooling

Manufacturing:

- Customer/Order Management
- Raw Materials Scheduling
- Activity-based costing
- Shipping/Receiving/Invoicing

Transportation:

- Route Scheduling
- Vehicle Maintenance
- Customer Travel Advisory
- Fund Accounting

Elements of Porfolio Management
For successful multi-project application portfolio management, keep the following points in mind.

Maintenance of a master plan by strategic business group. Simply reorganizing the full portfolio plan into strategic business sub-lists is not the entire task. Managing expectations of functionality to be delivered, timing of delivery, performance levels to be achieved and return on investment are at the top of most executives wish lists. These have to be mapped into the plan so that the resource level of effort is known by skill set and source and so milestones can be established with some certainty. Reviewing the sub-list with members of the strategic business group on a periodic basis is the ultimate answer. These meetings ensure that the IT Department and the business folks are on the same page, literally and figuratively.

Consistent project methodology. There are many methodologies a firm can purchase and adopt. Eventually, a company's project methodology evolves into one that is unique to their internal processes. For example, government procurement processes have been shaped by decades of regulatory enhancements (such as those made for Disadvantaged Business Entrepreneurs) that need to be

recognized within a project timeline. On the other hand, all methodologies have elements that are common. They all progress through a continuum of Plan — Design — Build — Implement.

These phases all have "tasks," which in turn have "steps"; at the end of each phase, approvals are required. General Electric has elevated this to a cultural imperative called Six Sigma, and it is ingrained into every project, IT or otherwise, undertaken in each part of the firm. To be a "Black Belt" (the highest certification in quality in Six Sigma) is an achievement, and to be unfamiliar with quality project techniques and methodology is to be employed elsewhere.

Tracking achievements against expectations. Internal customer expectations and perceptions of how the project is going is most reflective of how IT matches the company's needs with the project portfolio. There is a possibility that projects are led astray by business sponsors who interpret the company's needs differently or differently through time. However, there is a lower risk of that happening than misinterpretation by the IT department. Clearly, top management can be in agreement but execution can be distorted by the most well-meaning managers. That is why there must be a constant alignment of expectations with targeted performance for each phase of the project in each dimension: functions delivered, timing, customer's rating of performance and cost.

Tracking expenditures against budget. Every business tracks expense versus budget because it is prudent to do so. Nothing embarrasses more people in an organization than a project that has spiraled out of control financially. Control by phase (plan, design, build, implement) is best because it allows tuning over the lifespan of the project instead of risking being out of funds at crucial implementation junctures.

Tracking staff available and staff augmentation methods. The longer the project, the higher the risk associated with the human resources assigned to the project. Beyond a six-month period, staff stability becomes a very real issue. To safeguard against personnel transitions, project managers need to have a ready supply of staffers or outside sources at all levels to fill in any gaps. Thus, a blanket staff augmentation contract, whereby a firm creates an overall agreement to procure temporary personnel at rates associated with their position and then has them execute task orders within the agreement, should be one of the initial items of the technology planning activities. Also, development activities need to be coordinated with the HR department and other staff to make sure that other departments are not planning resource changes or new employee programs designed to allow career management at the employee level that will conflict with business projects.

Providing deliverables along the way. A simple but

effective method of keeping executive management satisfied that a project is moving along at an expected pace, is the delivery of some feature of the system prior to the entire completion of the system. For example, a data network for an entire firm of, say, 10,000 employees could take years to fulfill in its entirety. By implementing whole divisions or departments along the way with new desktop PCs as their turn comes up in the full project plan is a good way to win friends to ward off enemies. Always making progress is a good way to keep company perceptions positive. These progressions have to correspond to useful deliveries, but that usually is not hard to do because processes addressed by these are usually poor to begin with.

Additional elements include:

- Coordination of hardware, software, and network tools
- Understanding interdependencies and interfaces
- Guarding against scope "creep"
- Ensuring that business representatives and project team fully communicate regularly.

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This article is an excerpt from his book, Making IT Happen — Doesn't Have to Be Hard (Publications Unbound), which is the basis for a graduate-level course given at the University of Pennsylvania's Fels Center of Government.

How have you decided on and managed the applications for your company? Share your strategies.

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